

UNITED STATES DEPARTMENT OF STATE
BUREAU OF POLITICAL-MILITARY AFFAIRS
WASHINGTON, DC 20520

In the Matter of:

SPACE SYSTEMS/LORAL, INC.
Delaware

Respondent

ORDER

WHEREAS, the Office of Defense Trade Controls, Bureau of Political Military Affairs, United States Department of State (the "Department"), has notified Space Systems/Loral, Incorporated ("SS/L") of its intention to initiate an administrative proceeding against it pursuant to the Arms Export Control Act (the "Act") (22 C.F.R. § 2778 (e)) and its implementing regulations, the International Traffic in Arms Regulations (22 C.F.R. § 120-130) (the "Regulations"), based on allegations that SS/L violated Section 38 of the Act (22 U.S.C. § 2778) and § 127 of the Regulations as set forth in a draft Charging Letter, attached hereto and incorporated by reference, herein, by violating the express terms and conditions of Department of State munitions licenses and by exporting defense services without a munitions license or other authorization to the People's republic of China ("PRC"); and

WHEREAS, the Department and SS/L and Loral Space & Communications, Ltd. ("Loral"), SS/L's parent corporation, have entered into a Consent Agreement pursuant to Section 128.11 of the Regulations whereby the Department and SS/L and Loral have agreed to settle this matter in accordance with the terms and conditions set forth therein;

IT IS THEREFORE ORDERED,

FIRST, that SS/L and Loral agree that SS/L shall pay in fines to the Department and in remedial compliance measures a civil penalty of \$20,000,000 (twenty million dollars), comprised of the amounts stipulated herein and in paragraph (2), in complete settlement of the alleged civil violations pursuant to Section 38 of the Act as set forth in the Department's draft Charging letter. This civil penalty shall be payable as follows: \$2,200,000 (two million two hundred thousand dollars) shall be paid to the Department

of State within 10 days of the signing of the Order and \$11,800,000 (eleven million eight hundred thousand dollars) shall be paid in equal installments of \$1,685,714 (one million six hundred eighty-five thousand seven hundred and fourteen dollars) payable on the first, second, third, fourth, fifth, sixth and seventh anniversary of the signing of the Order.

SECOND, that an additional civil penalty of \$6,000,000 (six million dollars) is hereby assessed but its payment shall be suspended on the condition that Loral and SS/L will apply this amount over a seven year period for the purpose of defraying a portion of the costs associated with the remedial compliance specified in the Consent Agreement and in an agreed "schedule of compliance measures" attached thereto, including the costs associated with the Special Compliance Official, and with implementation of that Official's recommendations. Two million dollars (\$2,000,000) which has already been invested in strengthened compliance measures that have been identified by Loral to the Department shall be counted towards the \$6,000,000 total. Loral and SS/L will provide annually to the Department on the anniversary of the date of this Order a written accounting of the expenditures associated with this additional penalty, and failure to use these funds appropriately for this purpose or to provide a satisfactory accounting shall result in a lifting of the suspension, in which case Loral and SS/L shall be required to pay this amount to the Department of State.

THIRD, SS/L and Loral shall institute the compliance measures in the Consent Agreement, and shall do so within the deadlines established therein.

FOURTH, that the draft Charging Letter, the Consent Agreement and this Order shall be made available to the public.

This Order becomes effective on the day it is signed.



Lincoln P. Bloomfield, Jr.
Assistant Secretary for
Political-Military Affairs
Department of State

Entered this 9th day of January 2002